



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 5/16/2003

GAIN Report #IN3041

India

Agricultural Situation

Weekly Highlights & Hot Bites, #20

2003

Approved by:

Chad R. Russell

U.S. Embassy, New Delhi

Prepared by:

A. Govindan, Santosh Kr. Singh, V. Shunmugam, Sayed Sarwer Hussain

Report Highlights:

***Below normal monsoon forecast*, *Tariff rate quotas for commodities notified*, *FCI asked to explain irregularities in rice exports*, *Proposal on grain export restriction shelved*, *Bt cotton seed a hit in Andhra Pradesh*, *Modi to take Bt cotton growers' issue to GOI*, *Cotton seal launched*, *Baskin Robbins to expand in South Asia*, *Government cuts base import price of edible oils*, *Bangladesh: Import duty structure revision plan may hit industry*, *Bangladesh: Bhutan pushes free trade tariff concessions agreed; revised 5-year trade deal signed*.**

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

BELOW NORMAL MONSOON FORECAST

The Center for Mathematical Modeling and Computer Simulation of the Indian Council of Scientific and Industrial Research has forecast another year of below-normal monsoon in 2003. Rainfall during the June-September monsoon period is estimated at 15 percent below the 100-year average of 88 cm. The study supports the Indian Meteorological Department's earlier forecast of below-monsoon rains this year (see IN3031). The Government of India (GOI) has convened a meeting of State Agriculture Ministers on May 28 to discuss contingency plans in case the country faces a drought this year. (Business Line, 05/14/03 & Financial Express, 05/10/03)

TARIFF RATE QUOTAS FOR COMMODITIES NOTIFIED

TRQ modalities for corn, milk powder, sunflowerseed/safflowerseed oil, and rapeseed oil were notified by the Director General of Foreign Trade (DGFT) on May 9. The GOI has designated various government entities for the allocation of the quota, who should apply to the Exim Facilitation Committee of the DGFT before June 1, 2003. The imports must be completed before March 31, 2004. For the detailed notification see:

<http://dgft.com.nic.in/exim/2000/pn/pn03/pn0703.htm>

Post Comment: Although the GOI has notified the TRQ modalities much earlier this year, the window for applying for the TRQ continues to remain limited to just three weeks.

FCI ASKED TO EXPLAIN IRREGULARITIES IN RICE EXPORTS

The Food Corporation of India (FCI) was asked by the GOI to explain alleged irregularities involving rs. 4.6 billion (\$97 million) in rice exports involving excess allowances to traders. FCI had granted extra quantities of rice while releasing stocks at concessional rates to exporters, a decision that was taken without the permission of the Food Ministry. (Business Standard & Business Line, 05/14/03)

PROPOSAL ON GRAIN EXPORT RESTRICTION SHELVED

The government has reportedly shelved an earlier proposal to impose restrictions on exports of grains if stocks fell beyond a specified level, as the existing grain buffer stock norm is considered adequate. The buffer stock norms for wheat and rice that have to be met are: 11.8 million tons of rice and 4.0 million tons of wheat as of April 1; 10.0 million tons of rice and 14.3 million tons of wheat as of July 1; 6.5 million tons of rice and 11.6 million tons of wheat as of October 1; and 8.4 million tons of wheat and 8.4 million tons of wheat as of January 1. (Financial Express, 05/16/03)

BT COTTON SEED A HIT IN ANDHRA PRADESH

Despite some reports of unimpressive performance last season and strong lobbying against it by green groups, Bt cotton seed is in high demand in Andhra Pradesh. Reports indicate that orders for over 60,000 acres have already been placed, a huge jump from 8,300 acres planted in the state last season. (Source: Economic Times, 05/16/03)

MODI TO TAKE BT COTTON GROWERS' ISSUE TO GOI

The chief minister of the state of Gujarat, Mr. Narendra Modi, said on May 13th that the state government will take up the issue of Bt cotton with the GOI and protect the interests of cotton growers in Gujarat. Referring to the ban on Bt cotton, he said: "The state government will prefer to resign rather than arrest farmers for using (banned) Bt cotton." (Source: Asian Age, 05/14/03)

Post Comment: The ban mentioned above refers to the prohibition on an unapproved Bt cotton variety that was illegally sold by a local seed company and grown by the Gujarat farmers in 2001. While the ban on the unapproved variety was still in force, the farmers of the state continued to grow the prohibited Bt cotton variety using saved seeds during 2002.

COTTON SEAL LAUNCHED

Cotton clothing in India will sport a Seal of Cotton, an assurance to consumers that they are buying a 100% cotton product. The initiative has been launched under the Cotton Gold Alliance, promoted by the US-based Cotton Council International and Cotton Incorporated. The move is being supported by all the leading brands including Arrow, Lee, Wrangler, Crocodile, Indigo Nation, Scullers, Louis Philippe, and Shoppers Stops' in store-labels Stop, Life, and Kashish. Department stores feel that the seal will enhance the credibility of their products and labels. (Source: Business Line, 05/11/03)

BASKIN ROBBINS TO EXPAND IN SOUTH ASIA

Baskin Robbins is surveying ice cream markets in Sri Lanka and Nepal. It is also planning to set up more than 100 new outlets in India through franchisees. Admitting that pricing was a major factor affecting its growth, Baskin Robbins also plans to chalk out a new pricing strategy. (Source: Business Standard, 05/13/03)

GOVERNMENT CUTS BASE IMPORT PRICE OF EDIBLE OILS

The government on May 14, 2003, cut the base import prices of crude degummed soybean oil (CDSO) and palm oils, used to calculate tariffs (See Below). The base prices were last revised on December 3, 2002. Traders pay duties on imports based on these prices, and not on the actual sale prices.

Table 1: Revised base prices for edible oil imports

Commodity	December 3, 2002	May 14, 2003	% Change
-----------	------------------	--------------	----------

Crude Palm Oil	432	390	- 9.7
Crude Palmolein	454	415	- 8.6
RBD Palm Oil	460	426	- 7.4
RBD Palmolein	470	434	- 7.7
CD Soybean Oil	600	537	- 10.5

India started fixing the base prices in August 2001, to halt revenue loss resulting from under-invoicing by some importers. As the CDSO base price has been brought down by \$63 a ton, CDSO importers would stand to gain \$28 a ton. This sharp reduction in the base price for CDSO imports has been beneficial to CDSO importers; some estimates expect monthly CDSO arrivals to touch 150,000 tons through July. (Source: Business Line and Business Standard 5/15/03)

BANGLADESH: IMPORT DUTY STRUCTURE REVISION PLAN MAY HIT INDUSTRY

The government plans to increase the import duty on 3,500 raw materials by 2.50 per cent and the duty on 2,000 finished goods by 2.50 per cent in the next budget. The government has also decided to reduce the slabs of import duty from four to three tiers under pressure from the International Monetary Fund and World Bank. The new slabs would be 10 per cent, 20 per cent, and 30 per cent, instead of 7.50 per cent, 15 per cent, 22.50 per cent, and 32.50 per cent. The revised duty structure will fetch the government an extra Tk 29 billion (\$500 million) in revenue. Under the planned restructuring, the import duty on some 4,500 intermediary and semi-finished items would be 20 per cent in the next budget, according to sources. At present, these items have 15 and 22.50 per cent duties. (Source: Star, 15/05/03)

BANGLADESH: BHUTAN PUSHES FREE TRADE TARIFF CONCESSIONS AGREED; REVISED 5-YEAR TRADE DEAL SIGNED

Bangladesh and Bhutan yesterday signed a revised five-year trade agreement. The fresh accord will replace the one signed in 1980, which expired in September 2000. The countries, however, continued bilateral trade under the agreement even after its expiry. In line with the commerce secretary level talks in Thimpu in November 2002, Bhutan also pushed for a free trade arrangement. Bangladesh assured Bhutan that it would examine the proposal. Although the two-way trade value is fairly insignificant, the tiny land-locked Himalayan kingdom enjoys an impressive trade surplus with Bangladesh, with Bhutanese annual exports averaging US\$5 million against imports of less than \$1 million over the last 10 years. Source: UNB, Dhaka (Star-13/05/03)

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT#	SUBJECT	DATE SUBMITTED
IN3038	Weekly Highlights & Hot Bites, #19	05/09/2003

IN3039	INDIA: Coffee Annual	05/12/2003
IN3033	India's Emerging Biotechnology Regulations	05/13/2003
IN3040	Indo-Afghan Preferential Trade Agreement	05/16/3002

WE ARE ON THE NET

We are available at <http://www.usembassy.state.gov/posts/in1/www43.html> or visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS worldwide agricultural reporting.

FAS/NEWDELHI EMAIL

To reach us at FAS/New Delhi, email us at Agnewdelhi@usda.gov.